June 20, 2005

Mark Friedrichs, PI-40
Office of Policy and International Affairs
U.S. Department of Energy
Room 1E190, 1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Mr. Friedrichs:

The California Climate Action Registry is pleased to provide comments (attached) on the Department's interim final General Guidelines and draft Technical Guidelines for the National Voluntary Greenhouse Gas Reporting Program, originally created under section 1605(b) of the Energy Policy Act of 1992. We support the Department's review of the program, and appreciate the opportunity to comment on the revised guidelines.

As indicated in our previous comments (submitted February 17, 2004) on the General Guidelines, we find the proposed revised guidelines to be an improvement over the existing 1605(b) program. However, we continue to have a number of concerns about the quality and consistency of the data they will produce, and believe that a number of the basic criticisms from previous comment periods remain unaddressed.

The guidelines have adopted many features that will improve the credibility of the emissions inventory reports likely to be generated under the program, but in general still allow for too much flexibility. Additionally, the program suffers from the lack of a clearly articulated purpose and instead attempts to satisfy multiple competing goals—an attempt that results in significant confusion and inconsistency.

We hope DOE finds the attached comments helpful, and we appreciate the opportunity to provide them to the Department.

Sincerely,

Sam Hitz
Vice President, Policy

Comments of the California Climate Action Registry on the Department of Energy's final interim General Guidelines and draft Technical Guidelines for its National Voluntary Greenhouse Gas Reporting Program

Improvements

- Entity Level Reporting: As in our previous comments, we commend the DOE for the increased emphasis on entity level reporting that is apparent in the guidelines. We believe that this is an important step forward for accurate and complete reporting of GHG data. Reporting on individual reduction projects in isolation can paint a highly misleading picture as it does not convey the emissions activity of a whole entity. Isolated reduction reporting provides the opportunity for participants to report only their reductions, while masking their emissions.

- Requirement of an Entity Statement for Registering Reductions: Given the misleading nature of isolated project reduction reporting, it is important that participants provide a full picture of their entity wide emissions as a pre-requisite to registering reductions. Conducting an entity wide inventory will help to ensure that reductions are not mitigated by leakage or achieved in the context of increased emissions elsewhere. Consequently, we think requiring large emitters to undertake an entity wide inventory as a prerequisite to registering reductions is a step in the right direction. We would urge the Department to extend this requirement to small emitters, as this logic applies equally to small emitters.

- Increased consistency with the GHG Protocol: In general, the guidelines regarding entity wide inventory reporting demonstrate increased consistency with the provisions of the GHG Protocol, which has become increasingly viewed as the generally accepted standard for entity level emission accounting. In particular, the 1605(b) guidance regarding the consolidation of emissions (i.e. setting organizational boundaries) is in line with that of the Protocol, as it is with respect to the inclusion of direct and indirect sources of emissions (i.e. setting operational boundaries). However, there are still many inconsistencies that should be addressed.

Continuing Concerns

- No requirement for 3rd Party Verification: Independent verification is critical to making voluntarily reported data meaningful. Without review by a third party, stakeholders will not have confidence in the accuracy and reliability of emissions data. While encouraging independent verification and specifying minimum qualifications for verification is a step in the right direction, the California Registry believes that it is critical that DOE require 3rd party verification of all emissions reports, both entity wide and reductions.

- “Registering” vs. “Reporting”: The distinction between reporting and registering data will be confusing to stakeholders and obscure transparency. While registered reductions will include a more complete level of data and be subject to some additional restrictions, it is unclear what the value of DOE’s “special recognition” of registered data will mean. Without a clear value, there is no incentive for a company to register their emissions**.**

- Small Emitters Should also be Required to Conduct an Entity Wide Inventory: As mentioned above, we believe that the requirement to report entity wide emissions as a prerequisite to registering reductions should apply equally to all reporting entities, regardless of size. Isolated project reporting will encourage small companies to engage in the misleading practice of reporting emission reduction projects while not reporting other emissions activities. Moreover, the threshold for distinguishing between large and small emitters appears arbitrary and doing so appears to be out of step with DOE’s desire to promote consistent reporting. While this decision may have been motivated by concerns about cost effectiveness and a desire to increase participation among small emitters, we believe that because small emitters tend to have less complex emissions than large emitters, requiring them to conduct an entity wide inventory will not constitute the barrier to participation imagined. Establishing a two tier system that imposes less rigorous requirements on small emitters encourages entities to draw their organizational boundaries in ways that allow them to take advantage of these less rigorous requirements.

- Retention of Records: We believe that the requirement that reporters retain records for only three years is not sufficient. While it is not clear what if any regulatory purpose registered reductions might serve in the future, assessing their regulatory quality at some future point in time will rely on the ability to re-examine supporting documentation and data. Emissions reports and reductions do not remain “verifiable”, a goal of the 1605(b) program, without the data and records that support their calculation. Additionally, the value of current third party verification (if a reporter chose to undertake it) is curtailed by this provision. A verifier’s attestation to the accuracy and reliability of an emissions report or reduction also relies on the records upon which it is based.

- Setting Organizational Boundaries: The basis for determining the boundaries of an entity are still not clear enough in the revised guidelines. Participants can choose to define their entity based on any federal, state, or local regulation governing the company, which gives them the flexibility to establish their boundaries based on definitions contained within different regulations. This flexibility allows organizations, by defining their organizational boundaries accordingly, to paint a misleading picture of their entity emissions, maximizing the reductions they report, while omitting significant emissions sources.

- Standardize Base Period Adjustments to Account for Structural Changes: We believe that if comparisons of an organization’s entity-wide emissions over time are to be meaningful, organizations must adjust their base period emissions to account for structural changes in the organization (including mergers, acquisitions, divestitures, outsourcing, insourcing, etc.) in a standardized fashion.

- Ownership of Emissions Associated with Electricity Transmission and Distribution Losses: Requiring electricity end users to account for emissions associated with transmission and distribution losses is inconsistent with the approaches prescribed for consolidating emissions (financial control, operational control or equity share). Emissions associated with transmission and distribution losses should be accounted for by the entity that controls, operates or owns the lines.

- Programmatic Purpose of Reductions is Unclear: We believe there is a lack of clarity in defining reduction options. This is evidenced by the variety of options the guidelines provide for quantifying emissions reductions. While these approaches provide flexibility for reporters and encompass a broad range of potential emissions reductions opportunities, they are inconsistent and reflect the lack of a unifying programmatic purpose for registering reductions. If the intent of the guidelines is to allow organizations to demonstrate the steps they are taking to reduce emissions internally, what is important is demonstrating reductions over time, relative to a base year or period. This can be accomplished simply by providing guidelines that promote the determination of entity wide emissions in a complete, consistent, accurate and transparent fashion. The existing guidelines on reductions unnecessarily confuse entity-type accounting, where emissions are compared over time, and project-type accounting, where emissions are compared to a counterfactual scenario (what would have happened in the absence of a particular reduction activity). Project accounting need only be employed if the purpose of the guidelines is to support the registration of reduction offsets (reductions occurring outside the boundaries of the company), which might be transferred between parties at some time in the future.

- Intensity Based Approach Does Not Ensure Absolute Emissions Reductions: Allowing organizations to register reductions based on decreases in intensity means that an organization’s absolute emissions could continue to increase in the face of registered reductions. We recognize that one of the stated purposes of the 1605(b) program is to achieve the goal of reducing U.S. emissions intensity by 18% by 2012, but allowing increases in absolute emissions while registering reductions is inconsistent with a desire to register real reductions. Reductions in intensity alone do not ensure a real environmental impact on the atmosphere. Furthermore, the guidelines provide too much flexibility to organizations to determine the appropriate indicators of output when calculating emissions intensity. Different measures of output make comparisons within, and especially across industries difficult at best.

- Harmonization: We stress again that there are a number of steps that the 1605(b) program could take to foster harmonization with other state and regional registries. Specifically, it could create a process for accepting GHG data, especially entity inventory data, from other state/regional registries with similar or stricter reporting guidelines. We encourage DOE to consider such harmonization efforts.